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Brexit and the elite

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Any cursory search on the internet will rapidly reveal the common trope that the Brexit vote was ‘a mutiny against the cosmopolitan elite’ as Craig Calhoun, the Director of the LSE, wrote in the *Huffington Post* on the 27th June. *Time* headlined its report on June 24th ‘the Brexit vote is a new milestone in the global war on elites’. The vision of a revolt of the masses against the elite has permeated much analysis of the Brexit result.

By contrast, many social scientists have been sceptical about the idea of a homogeneous elite that is capable of acting in a unified way on a consistent and coherent basis. Pareto in his classic discussion focused on the idea of circulation of elites and conflicts within elites between ‘lions’ who were men (sic) capable of decisive and forceful action and ‘foxes’ who were imaginative, innovative, and unscrupulous (Parry, 2005). For elites to be successful, they had to combine the characteristics of both lions and foxes; if the elite lacked decisive leaders or more innovative leaders, or alternatively if the two segments drifted apart, the danger was that the elite would be unable to adapt to crises and challenges, leading to a period of chaos as these different parts of the elite sought to assert their control by building new alliances.

Whilst the idea of Cameron and Osborne as ‘lions’ may seem far-fetched, as many commentators have pointed out, Cameron was decisive in committing to a referendum on EU membership. He may have been deluded to think that he could guarantee a positive outcome but there is no doubt that in making the decision, he took forceful action which he believed would succeed. On the other hand, the idea of Johnson, Gove etc. as foxes seems very apt;

they were unscrupulous in their use of statistics and in their rejection of the use of ‘experts’, whilst steadfastly refusing to commit to any particular vision of the UK post-Brexit. The speed with which they shuffled or were shuffled off the stage in the immediate aftermath of their unexpected victory reflected a certain fox-like stealth, even if Johnson has now returned as Foreign Secretary.

These ‘foxes’, however, were part of the elite, not populist leaders emerging spontaneously from the crowd. Gove and Johnson were two Oxford educated Tories with long-term connections to the party, its media supporters and its leading figures such as Cameron reaching back for decades. Nigel Farage, self-styled ‘man of the people’ attended the prestigious independent school, Dulwich College, and followed his father into the City, trading commodities for 20 years.

However, to see the Brexit conflict in terms of a small coterie of people and their conflicting ambitions would be to mistake the symptoms for the cause. Unlike in the 1975 Referendum on maintaining membership in the European Economic Community when the only exiteers were a few renegade Tories such as Enoch Powell in alliance with the Labour Left, business and elite support for staying in the EU was not unanimous in 2016. In May, 2016, 300 ‘business leaders’ called for Brexit in a letter to the *Daily Telegraph*. The CBI representing large firms was strongly pro-Remain reflecting the preferences of most but not all its members (many of whom remained ‘neutral’). The British Chambers of Commerce (BCC) were officially ‘neutral’ though its director-general, John Longworth, spoke in favour of Brexit which led to him being forced to resign. Sir James Dyson, an icon of British invention and entrepreneurship, also came out ‘passionately’ for Brexit according to an interview in the *Daily Telegraph* on June 10.

Even in the City of London, where the impression given by the leading role of the Bank of England in spelling out the dangers of Brexit and the general support for Remain coming from the large banks which were highly dependent on the 'EU passport' to enable them to trade across area, there were voices of opposition. The *Guardian* reported on 6 November 2015 that many Mayfair based hedge funds were 'backing Brexit with both words and cash'. *The Wall Street Journal*, on 19 June, 2016, was more cautious, reporting that the hedge fund industry was split but that Brexit was favoured by many. Reasons were concerns over future EU regulation of hedge funds and their activities as well as a more short-term belief that the volatility arising in many markets consequent on UK exit from the EU would provide plenty of profit opportunities for speculators – which indeed it did in the short term, the *Wall Street Journal* reporting on 26 June that 'Some hedge funds clean up after Brexit vote'. In the print media, support for Brexit was extensive reflecting the long-term resentment of the EU and its possible impact on ownership of newspapers and TV stations by UK press barons such as Murdoch.

What this points to is a partial fragmentation of the UK elite over the past 40 year which goes beyond issues of personal ambition amongst a small number of politicians. Between 1975 and the first EEC referendum and the second 2016 referendum lies a profound change in British society and in its economic structure as it shifted unevenly but inexorably from a muddled form of corporatism to neo-liberalism, (Crouch, 1977; Crouch, 2009; Crouch, 2011). A crucial part of this shift has been a change in the nature of the economic elite (Froud et al., 2007; Savage and Williams, 2008; Morgan, 2016; Morgan, 2015) due to the expansion of the City of London as a financial centre, the impact of globalization and the deep penetration of the state by commercial forces, (Crouch, 2016). These changes are reflected

most profoundly in the growing inequality that has occurred over the same period as the very wealthy have become more and more distinctive in terms of their wealth and income (Piketty, 2014; Flaherty, 2015; Dorling, 2015; Atkinson, 2015). Nevertheless as Savage points out, ‘this elite is not a cohesive formation. It is internally differentiated along occupational-sector lines’ (Savage, 2015: 327) and cannot be understood as the same social phenomenon as ‘the establishment’, i.e. the traditional landed aristocracy which was so influential politically, economically and culturally in the UK up to the recent period (Jones, 2014).

This lack of cohesion is reinforced at the corporate level. In the USA, Mizruchi has described the ‘fracturing of the corporate elite’ (Mizruchi, 2013) in the following terms: ‘From a group with a moderate pragmatic orientation, the corporate elites was now reduced to a collection of firms, powerful in their ability to gain specific benefits for themselves but no longer able or willing to address issues of concern to the larger business community or the larger society’ (ibid: 269). Mizruchi traces this back to the shareholder value revolution and the increased pressure on senior managers to achieve returns for their shareholders in comparison to the heyday of Chandler’s managerial capitalism (Chandler, 1977) when managers could exercise discretion, oversight and some form of medium to long term planning (Davis, 2009). Instead senior managers in manufacturing and finance are pushed to short-term results. Mizruchi describes the corporate elite as being ‘incapable of addressing the kinds of issues that it had routinely tackled in the postwar period’ (ibid: 226). The defeat of labour in the 1980s and 1990s and the implementation of neo-liberal practices in various forms across a vast range of markets also removed the need for collective endeavour on key political issues. Whilst Washington DC is full of lobbyists, they are employed by corporates in very instrumental ways to protect and further their interests rather than to develop a political consensus on the big issues, leaving a void which the Tea Party and now Trump aim to fill.

Although we lack the sort of detailed account of elite fracturing and its impact on public policy in the UK that Mizruchi provides for the US, similar pressures on UK business have been powerful as revealed in the causes and consequences of the 2008 financial crisis and events since (the LIBOR scandal, PPI etc.). The way in which long-established banks such as the Royal Bank of Scotland, Barclays, Lloyds etc. behaved in the period leading up to and since the financial crash shows a total disregard for anything other than short-term rewards for executives and shareholders. Recent disclosures on how much taxes multinationals pay as well as events at British Homes Stores and Sports Direct reinforce the idea that a public interest concern has long been abandoned in many British companies.

It is in this context that the politics of Brexit can be understood. Cameron mistakenly believed there was still a sufficiently cohesive elite which would support him and which would be able to bring along a majority of the public in the referendum. But in spite of the fact that that elite had benefited so much from the policies of the last thirty years, it lacked an interest in or a capacity for playing such a role. Instead the opportunity arose for the foxes in the elite to mobilise popular concerns about immigration, austerity and alienation from the political class and to focus them on Brexit as a solution without actually spelling out what that meant in practice.

Is elite fragmentation a cause for hope in any way? Splits in the elite are often the first sign of the weakening of an existing order (Skocpol, 2015; Dunn, 1989). But equally the second sign is the loss of legitimacy in the existing system and this in turn can lead to the emergence of new and dangerous forces which in the current period reject key precepts of liberal democracy as it developed in post-war Europe. In the 1920s and 1930s, similar processes of

elite fragmentation led to war but they also led eventually to reconstituting the elite – towards Keynesian welfarism and a less unequal society – and reshaping the bargain between the broad mass of the population and a reconstituted elite. Finding a way to that reconstituting and reshaping without major social upheaval is the urgent and hugely difficult task which faces the UK and many other of the developed economies.

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